2018-2021 BUDGET

2018-2021 Budget Summary

The Budget for the 2018-2021 planning period is materially aligned with the financial framework set out in the 2017-2020 Budget as approved. The 2018-2021 Budget includes a slight increase in FY 2018-2019 of 0.4%, and an increase in FY 2019-2020 of 2.4% when compared to the 2017-2020 Budget. The increases are largely as a result of additional headcount.

The headcount budget over the planning period increases to 192 from 178 FTEs (staff members), which is outlined above in the discussion of the Resources Needed to Meet Goals & Objectives.

The 2018-2021 Budget (sections 26 and 12.1 only) increases annually throughout the planning period to account for factors such as increases in employee compensation and rent.

As a self-financing entity, the OEB has established an operating reserve. That reserve is adjusted each year. The primary purpose of this reserve is to fund the OEB's operations in the event of revenue shortfalls or unanticipated expenditures. It is also used to manage cash flows and to support working capital requirements. The operating reserve can be up to 20 per cent of the OEB's current annual funding requirement. During the 2018-2021 planning period, the operating reserve will range between 12 per cent and 19 per cent since the OEB intends to use part of the operating reserve to fund approximately $3 million of renovations in the 2018-2021 Budget.

Revenue from administrative penalties, assessed against individual regulated entities under section 112.5 of the *Ontario Energy Board Act, 1998,* are not used to reduce the costs assessed under the OEB's *Cost Assessment Model* and are not included in the OEB's Budget. The administrative penalty funds are internally restricted to support only those activities relating to consumer education, outreach and other activities in the public interest.

An interest rate of 1.1 per cent has been assumed for the operating reserve and the accumulated balance in the administrative penalty fund.

Section 30 Budget

Section 30 costs are excluded from the 2018-2021 Budget set out below. Section 30 costs are regulatory process costs incurred in relation to specific proceedings and consultation processes. They are recovered from regulated entities through the cost award decisions made by the OEB in respect of those proceedings and processes. The section 30 Budget presented below is $6.1 million for the 2018-2019 financial year, $5.5 million for the 2019-2020 financial year, and $5.0 million for the 2020-2021 financial year.

Units in thousand dollars	**2018-2021 Budget**			**Forecast**	**Actual**
	2018-2019	**2019-2020**	**2020-2021**	**2017-2018**	**2016-2017**
Section 30	6,105	5,500	5,000	4,545	4,086

Some proceedings and consultation processes span several financial years. The OEB funds such proceedings and consultations through its operating reserve until the costs are finally recovered under section 30 of the Ontario Energy Board Act, 1998.

Section 79.2 Budget

Section 79.2 costs are costs related to the administration of the OESP. The *Fair Hydro Act, 2017* includes an amendment to the Act that would replace the current section 79.2. When proclaimed, the new section 79.2 would, among other things, enable the OEB to continue to recover its OESP administration costs. It would also enable responsibility for the administration of the OESP to be transferred from the OEB to a Minister of the Crown. The OEB understands that this transfer may be deferred for an unspecified period of time. The OEB has therefore developed its budget for section 79.2 costs on the assumption that the OEB will be responsible for administration of the OESP during the full three-year planning period. The section 79.2 Budget for publications, media and advertising is $1.5 million in each of the next three years as shown in the following table.

Units in thousand dollars	**2018-2021 Budget**			**Forecast**	**Actual**
	2018-2019	**2019-2020**	**2020-2021**	**2017-2018**	**2016-2017**
Section 79.2	1,500	1,500	1,500	1,650	4,280

In FY 2016-2017, section 79.2 incurred $4.3 million of OESP administration (publications, media, advertising costs) costs, and carryover implementation costs. Ongoing OESP publications, media, advertising costs of $1.5 million are planned throughout the 2018-2021 Budget. Implementation costs ended in FY 2016-2017.

2018-2021 OEB Budget (sections 26 and 12.1 only)

Units in thousand dollars	2018-2019	2019-2020	2020-2021
Revenues:			
General cost recovery	41,086	43,025	44,560
Licence fees	402	402	402
Interest income	125	125	125
Miscellaneous income	5	5	5
Amortization of deferred revenue related to capital assets	1,480	1,997	1,746
Total Revenues	**43,098**	**45,554**	**46,838**
Expenses:			
Salaries and benefits	31,346	33,254	34,393
Consulting and professional	3,165	3,025	3,000
Meetings, training and travel	1,161	1,121	1,120
Publications, media and advertising	1,414	1,405	1,380
Premises	3,091	3,290	3,560
Information technology	957	963	1,131
Office and administration	484	499	508
Amortization of capital assets paid by OEB	1,480	1,997	1,746
Total Expenses	**43,098**	**45,554**	**46,838**
Capital Expenditures:			
Leasehold improvements	184	2,199	50
Office furniture and equipment	101	150	50
Computer equipment and related software	1,508	1,370	1,320
Audio visual equipment	150	0	0
Total Capital Expenditures	**1,943**	**3,719**	**1,420**
Total Assessment before Adjustments	**43,029**	**46,744**	**45,980**
Operating Reserve Adjustment	**(459)**	**(2,524)**	**(50)**
Total Assessment	**42,570**	**44,220**	**45,930**